

STATE OF MAINE  
PUBLIC UTILITIES COMMISSION

January 8, 2001

BANGOR HYDRO-ELECTRIC COMPANY;  
MAINE ELECTRIC POWER COMPANY;  
CHESTER SVC PARTNERSHIP; AND  
EMERA, INC.  
Request for Approval of Reorganization  
(Joint Petition)

Docket No. 2000-663

BANGOR HYDRO-ELECTRIC COMPANY  
Application for Approval of Issue of Securities  
(Stock Warrants and Corporate Guarantee  
Related to the PERC Restructuring  
Transaction)

Docket No. 1997-911

SUPPLEMENTAL ORDER  
APPROVING ISSUANCE  
OF SECURITIES

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

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## I. SUMMARY

On December 13, 2000, Bangor Hydro-Electric Company (BHE or the Company) filed with the Commission its application for authority to issue an unsecured promissory note for approximately \$13.65 million to the Municipal Review Committee, Inc. (MRC), with a fixed interest rate of 5.0% and a final maturity date of June 30, 2008. This note relates to a stipulation filed and approved in Docket No. 2000-663, *Bangor Hydro-Electric Company, Maine Electric Power Company, Inc., Chester SVC Partnership, and Emera, Inc., Request for Approval of Reorganization*, and is an integral piece of the stipulation. This Order approves BHE's request.

## II. BACKGROUND & DISCUSSION

The proposed merger between BHE and Emera, Inc. will, upon closing, cause certain common stock warrants issued pursuant to the modification of a power purchase contract between BHE and Penobscot Energy Recovery Company (PERC) approved in Docket No. 1997-911, *Bangor Hydro-Electric Company, Request for Approval of Stock Warrants and Corporate Guarantee Related to PERC Restructuring Transaction*, to be exercised. Upon exercise, certain amounts associated with these warrants would be subject to recovery as "stranded costs" from BHE's ratepayers. In order to mitigate these impacts on ratepayers and to help facilitate the stipulation, the MRC has agreed

to accept cash payments for the warrants it holds over a seven-year period rather than all at once at the time of the closing of the merger, tentatively scheduled for some time in June 2001. In return for this consideration, the MRC warrant holders will earn interest at 5.0% annually on the uncollected or "unamortized" balances.

The parties state that the note will represent the equivalent of approximately 700,000 BHE common shares. The merger agreement states that warrant holders are entitled to the same \$26.50 that BHE common shareholders will receive, less a \$7.00 per share "exercise price." Therefore the approximate nominal amount of the note is expected to be \$13.65 million based on the formula:

$$[ 700,000 \text{ shares} \times (\$26.50 \text{ per share} - \$7.00 \text{ per share}) ]$$

This expected note amount may vary to the extent that the final amount of nominal shares differs from 700,000. Given parties agreement that ratepayers will not pay the 5.0% interest charge in rates and that this instrument will not be used in calculating BHE's weighted average cost of capital (WACC) in a future rate case, it is not critical for us to specify a precise amount on this note. We expect, however, that upon closing the note amount will not differ materially from \$13.65 million and that BHE will inform us of the correct final amount.

Having reviewed the application of the Company, together with data filed in support of it, it is the opinion of the Commission that the proceeds of the issuance of the bonds are required in good faith for the purposes enumerated in 35-A M.R.S.A. §901. In approving this securities issue, consistent with normal practice and pursuant to §902(4), the Commission does not imply approval of the Company's capital needs or capitalization ratio for ratemaking purposes, nor does this order limit or restrict the powers of the Commission in determining or fixing any rate. We reiterate that the interest payments made on this note will not be recovered from ratepayers and they will not be considered in determining the Company's weighted average cost of capital (WACC) in any future rate proceeding.

Accordingly, we

#### O R D E R

That Bangor Hydro-Electric Company (BHE) is hereby authorized to issue its unsecured promissory note in the approximate amount of \$13.65 million at a fixed rate of 5.0% with a maturity date of June 30, 2008 to the Municipal Review Committee (MRC) solely for the purpose described in this order.

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Dated at Augusta, Maine, this 8<sup>th</sup> day of January, 2001.

BY ORDER OF THE COMMISSION

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Dennis L. Keschl  
Administrative Director

COMMISSIONERS VOTING FOR:      Welch  
   Nugent  
   Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Civil Procedure, Rule 73, et seq.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.